Titanium Corporation Inc.

Condensed Interim Financial Statements
(Unaudited)
November 30, 2014 and August 31, 2014

January 29, 2015

To the Shareholders of
Titanium Corporation Inc.

The condensed interim financial statements of Titanium Corporation Inc. as at and for the three month period ended November 30, 2014 have been compiled by management.

No audit or review of this information has been performed by the company's auditors.

Titanium Corporation Inc.

Condensed Interim Statement of Financial Position

As at November 30, 2014

(Unaudited)

(expressed in Canadian dollars)

	November 30, 2014 $	August 31, 2014 $
Assets		
Current assets		
Cash and cash equivalents	2,221,981	2,609,652
Research tax credits receivable (note 4)	-	177,843
Goods and services tax receivable	8,870	12,276
Prepaid expenses	16,578	29,012
	2,247,429	2,828,783
Equipment	17,825	19,461
Total assets	2,265,254	2,848,244
Liabilities		
Current liabilities		
Trade and other payable	29,673	177,396
Accrued liabilities	388,988	313,588
Total liabilities	418,661	490,984
Shareholders' Equity		
Share capital (note 5)	60,256,945	60,256,945
Contributed surplus	14,747,173	14,729,832
Deficit	(73,157,525)	(72,629,517)
Total shareholders' equity	1,846,593	2,357,260
Total liabilities and shareholders' equity	2,265,254	2,848,244

Reporting entity and going concern (note 1)

The accompanying notes are an integral part of these financial statements.

Titanium Corporation Inc.

Condensed Interim Statement of Loss and Comprehensive Loss

(Unaudited)

For the three month period ended November 30, 2014 and 2013

(expressed in Canadian dollars)

	Three month period ended November 30, 2014 $	2013 $
Expenses and losses		
General and administrative (note 8)	415,597	462,357
Research and development (note 8)	113,325	287,986
Other operating expenses	1,806	6,038
	530,728	756,381
Other income		
Interest	(2,720)	(6,312)
Net loss and comprehensive loss	528,008	750,069
Basic and diluted loss per share (note 6)	0.01	0.01

The accompanying notes are an integral part of these financial statements.

Titanium Corporation Inc.

Condensed Interim Statement of Changes in Shareholders' Equity

(Unaudited)

For the three month period ended November 30, 2014 and 2013

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2014	60,256,945	14,729,832	(72,629,517)	2,357,260
Comprehensive loss for the period	-	-	(528,008)	(528,008)
Equity-based compensation (note 5)	-	17,342	-	17,342
Balance – November 30, 2014	60,256,945	14,747,173	(73,157,525)	1,846,593

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2013	60,104,658	14,248,259	(69,637,892)	4,715,025
Comprehensive loss for the period	-	-	(750,069)	(750,069)
Equity-based compensation	-	99,838	-	99,838
Balance – November 30, 2013	60,104,658	14,348,097	(70,387,961)	4,064,794

The accompanying notes are an integral part of these financial statements.

Titanium Corporation Inc.

Condensed Interim Statement of Cash Flows

(Unaudited)

For the three month period ended November 30, 2014 and 2013

(expressed in Canadian dollars)

	Three month period ended November 30,	
	2014 **$**	**2013** **$**
Cash (used in) provided by		
Operating activities		
Net loss for the period	(528,008)	(750,069)
Items not affecting cash		
Amortization	1,636	1,841
Equity-based compensation	17,342	77,339
Government grant recoveries	-	(34,074)
	(509,030)	(704,963)
Net change in non-cash working capital items		
Change in research tax credits receivable	177,843	-
Goods and services tax receivable	3,407	49,708
Prepaid expenses and other assets	12,434	19,788
Trade and other payables and accrued liabilities	(72,325)	(55,672)
	(387,671)	(691,139)
Financing activities		
Government grant proceeds	-	229,006
(Decrease) in cash and cash equivalents	(387,671)	(462,133)
Cash and cash equivalents – beginning of period	2,609,652	4,134,452
Cash and cash equivalents – end of period	2,221,981	3,672,319

The accompanying notes are an integral part of these financial statements.

1 Reporting entity and going concern

Titanium Corporation Inc. (the "Company" or "Titanium") is a public company domiciled in, and governed by the laws of Canada. Titanium was formed upon the amalgamation of Titanium Corporation of Canada Limited and NAR Resources Ltd. under the Business Corporations Act (Ontario) on July 24, 2001. On March 19, 2009 the Company was continued under the Canada Business Corporations Act. The Company does not have any subsidiaries.

The Company's principal business office is Suite 510, 840 6 Avenue, SW, Calgary, Alberta, T2P 3E5 and the Company's registered office is located at Suite 2400, 525 8th Ave SW Calgary, AB T2P 1G1. The Company's common shares are listed on the Toronto Stock Venture Exchange under the ticker symbol "TIC".

Titanium's mission is "Creating Value from Waste™" ("CVW™"). The Company has developed innovative CVW™ technologies that recover valuable heavy minerals, bitumen, solvent and water from oil sands waste tailings. The recovery of bitumen, associated solvents and water will result in important and timely environmental improvements for the oil sands industry. The Company has completed demonstration piloting which culminated several years of progressive research and development ("R&D") of its proprietary technology.

The Company is considered to be a development stage enterprise as it has yet to earn any revenues from its planned operations. The Company is devoting substantially all of its efforts toward commercializing its proprietary technology. The recoverability of amounts expended on R&D is dependent on the ability of the Company to complete pre-commercialization activities, commercialization at oil sands sites, and achieve future profitable operations. The Company is dependent on raising funds through the issuance of shares, government grants and/or attracting partners in order to undertake further development and commercialization of its technology. These circumstances may cast a significant doubt on the appropriateness of the use of accounting principles applicable to a going concern. While the Company has been successful in obtaining the necessary financing to develop the business to this point, there are no assurances that the Company will be successful in the future in these endeavors.

The financial statements are prepared using generally accepted accounting principles that are applicable to a going concern. An inability to raise additional financing or to achieve commercial operations, will impact the future assessment of the Company as a going concern. If the going concern assumption was not appropriate for these financial statements, the reported income and expenses and the statement of financial position would require the necessary adjustments to the carrying values of assets and liabilities, which could be material.

2 Basis of presentation

These condensed interim financial statements of the Company have been approved by the Board of Directors on January 29, 2015 and are presented in Canadian dollars, which is the Company's functional currency.

These condensed interim financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

3 Significant accounting policies

Except as outlined below, these condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the most recent annual financial statements as at and for the year ended August 31, 2014. Significant accounting policies are described in Note 3 of the August 31, 2014 annual financial statements.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. These estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the actual results. Management considers the following areas to be those where critical accounting policies affect the significant estimates and judgements used in the preparation of the Company's financial statements.

a) Fair value of stock-based compensation

Determining the fair value of stock based compensation requires judgement related to the choice of a pricing model, the estimation of stock price volatility, the expected term of the underlying instruments and the estimation of the risk free interest rate.

New standards and amendments issued but not yet adopted

Certain new standards, amendments to standards and interpretations are not yet effective for the current reporting period, and therefore have not been applied in preparing the financial statements.

The Company has not yet begun the process of assessing the impact that the new standard will have on its financial statements:

IFRS 9 – "Financial Instruments", which is the result of the first phase of the IASB's project to replace IAS 39 – "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The amendment is effective January 1, 2018.

IFRS 15 – "Revenue from Contracts with Customers". This amendment replaces the existing revenue standards and interpretations with a single standard and provides additional guidance on revenue recognition for contracts with customers. The amendment is effective January 1, 2017, with early adoption permitted.

The Company is currently evaluating the impact of adopting these standards on its financial statements.

4 Government assistance

National Research Council of Canada - Industrial Research Assistance Program ("IRAP")

In 2012, the Company entered into a funding Contribution Agreement with National Research Council of Canada as represented by IRAP to assist with research costs related to a paraffinic tailings program conducted at the Canmet Energy research facility. Since the inception of the project, the Company received $358,113 for qualifying project costs. In the prior year, $34,074 was recognized as grant recovery and treated as a reduction of R&D expense. The Company concluded the pilot project in the prior fiscal year.

Scientific Research and Experimental Development (SR&ED) Tax Incentive Program

The Alberta SR&ED tax credit program provides a refundable tax credit to qualified corporations that incur eligible R&D expenditures in the province of Alberta. The Company received funds related to its 2013 claim in the amount of $177,843 on October 28, 2014.

5 Share capital

Authorized

Unlimited number of common shares without par value have been authorized. Share capital balances for the three month period ended November 30, 2014 and the year ended August 31, 2014 are as follows:

	November 30, 2014		August 31, 2014	
	Number of common shares #	**Amount $**	**Number of common shares #**	**Amount $**
Balance – September 1	64,425,040	$ 60,256,945	64,179,416	$ 60,104,658
Issued pursuant to RSU plan	-	-	245,624	152,287
Balance –	64,425,040	$ 60,256,945	64,425,040	$ 60,256,945

Stock-based compensation

The Company has a Stock Plan for its directors, officers, employees and consultants to encourage ownership of stock and align the longer term interest of Company shareholders. The stock plan is designed to advance the Company's interests by providing additional incentives for plan participants and to retain and attract valued directors, officers, employees and consultants. The Company grants stock-based awards to officers, employees and non-executive directors at the discretion of the board of directors. The associated stock-based compensation expenses are recognized as components of general and administrative and research and development expenses. On December 16, 2013 the Company adopted a "rolling" stock-based plan to include stock options, deferred share units ("DSUs") and restricted share units ("RSUs"). The number of common share options available for grant at any time is limited to 10% (rolling) of the issued and outstanding common shares of the Company in the aggregate. The revised rolling 10% stock plan was approved by shareholders on January 23, 2014 and the stock plan is subject to annual approval by the Company's shareholders.

The stock plan is comprised of the following components:

a) Stock options

Once a stock option is granted, the compensation costs for options granted is based on the estimated fair values of the options at the time of grant. The cost is recognized as a component of general and administrative and research and development expenses over the vesting periods of the options with a corresponding increase to contributed surplus within shareholders' equity. Upon exercise of the stock option, both the consideration received and the fair value of the option amortized are recognized as share capital.

b) Deferred share units ("DSUs")

As part of the Company's long-term incentives for non-executive directors a deferred stock unit plan was established representing a component of director compensation. The Award plan was initially established on April 29, 2013 as a cash settled plan. On December 16, 2013 the Company revised the plan for the purpose of reducing cash expenses, whereby DSU awards would be settled with common shares. The revised plan was approved by the Company's shareholders on January 23, 2014. DSU awards vest immediately upon grant and are settled with the issuance of common shares when a director's service ceases. The compensation expense for DSUs awarded to non-executive directors is based on the fair values at the time the award is granted. The expense is recognized as a component of general and administration expense with a corresponding increase to contributed surplus within shareholders' equity. Upon redemption, the fair value of the award is reclassified from contributed surplus to share capital.

c) Restricted share units ("RSUs")

As part of the Company's long-term incentives for officers and other key employees of the Company, the RSU plan provides participants with the opportunity to acquire RSUs in to order participate in the long term success of the Company. The vesting schedule of RSU awards are specified by the Board of Directors on the grant date. Once the award is vested, the RSU is settled with the issuance of the Company's common shares.

The compensation expense for RSUs awarded is based on the fair values of the award at the time of grant and amortized over the specified vesting period. The cost is recognized as a component of general and administration and/or research and development expense with a corresponding increase to contributed surplus, within shareholders' equity. Upon redemption, the fair value of the award is reclassified from contributed surplus to share capital.

Summary of equity- based awards

As of November 30, 2014, the Company was entitled to grant 6,442,504 stock based awards within the 10% rolling plan of which 4,035,853 have been granted. Of the total granted, 3,658,400 were issued as stock options and 377,453 were issued as DSUs. The components of stock based compensation are summarized below:

Summary of stock options

A summary of the Company's stock option activity for the three month period ended November 30, 2014 and fiscal year ended August 31, 2014 as follows:

	November 30, 2014		August 31, 2014	
	Number of common stock options #	Weighted average exercise price $	Number of common stock options #	Weighted average exercise price $
Outstanding – September 1	3,815,400	1.25	3,940,400	1.23
Options forfeited/cancelled	-	-	(75,000)	1.11
Options expired	(157,000)	0.45	(50,000)	0.21
Options outstanding	3,658,400	1.28	3,815,400	1.25
Options exercisable	3,658,400	1.28	3,648,734	1.26

The following table summarizes the options outstanding as at November 30, 2014:

Range of exercise price	Number of common stock options #	Weighted average remaining contractual life	Weighted average exercise price $	Number of options exercisable #	Weighted average exercise price $
0.00 – 0.99	700,000	0.17	0.72	700,000	0.72
1.00 – 1.99	2,133,400	2.08	1.19	2,133,400	1.19
2.00 – 2.99	825,000	1.15	2.00	825,000	2.00
	3,658,400	1.43	1.28	3,658,400	1.28

Stock-based compensation expense has been presented in the statement of loss and comprehensive loss as a non-cash component of research and development and general and administrative expense (note 8). The fair value of each stock option is accounted for in the statement of loss and comprehensive loss, over the vesting period of the options, and the related credit is recorded in contributed surplus.

Summary of DSUs

A summary of the DSU activity for the three month period ended November 30, 2014 and fiscal year ended August 31, 2013 as follows:

	November 30, 2014		August 31, 2014	
	Number of DSUs #	Share price at time of grant $	Number of DSUs #	Share Price at time of grant $
Outstanding – September 1	370,447	0.90	333,330	0.90
Granted November 30	7,006	1.16	14,664	0.51
Granted February 28	-	-	12,096	0.62
Granted May 31	-	-	5,787	1.79
Granted August 31	-	-	4,570	2.03
DSUs outstanding	377,453	0.90	370,447	0.90

Summary of RSUs

On December 16, 2013 RSUs were awarded to executive officers in lieu of $152,287 cash compensation. The vesting of the awards were aligned with shareholder approval of the RSU plan at the Company's annual general meeting on January 23, 2014. Following the approval by shareholders, the RSUs were released and 245,624 common shares were issued by the Company, leaving no outstanding RSU's at August 31, 2014. There were no RSUs awarded during the three months ended November 30, 2014.

Stock based compensation expense related to stock awards for the three month period ended November 30, 2014 and November 30, 2013 is as follows:

	Three month period ended November 30,	
	2014 $	**2013** $
Stock options – G&A	5,991	70,384
Stock options – R&D	3,226	29,454
	9,217	99,838
Deferred share units (DSUs)	8,125	(22,499)
Stock-based compensation expense	17,342	77,339
Stock-based compensation by nature (note 8)		
Stock-based compensation – G&A	14,116	47,885
Stock-based compensation – R&D	3,226	29,454
	17,342	77,339

6 Basic and diluted loss per share

Weighted average number of common shares outstanding

As the Company incurred a loss for the three month period ended November 30, 2014 and November 30, 2013, the impact of potentially issuable common shares upon the exercise of options would be anti-dilutive, basic and diluted loss per share as presented in the statement of loss and comprehensive loss are the same.

The following table sets forth the reconciliation of basic and diluted loss per share:

	Three month period ended November 30,	
	2014 **$**	**2013** **$**
Net loss and comprehensive loss	528,008	750,069
Weighted average number of common shares for basic and diluted loss per share	64,425,040	64,179,416
Basic and diluted loss per share	$ 0.01	$ 0.01

7 Segmented information

Operating segments

The Company has one reporting segment engaged in researching and developing a recovery process for bitumen, solvents, valuable heavy minerals and water from oil sands froth treatment tailings. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, all of the Company's equipment is located in Canada.

8 Expenses by nature

General and administrative expenses consist of the following:

	Three month period ended November 30,	
	2014	**2013**
	$	**$**
Compensation and benefits	188,962	143,481
Consulting and professional fees	108,732	116,883
Equity-based compensation (note 5)	14,116	47,885
Directors' fees	38,622	55,368
Rent, insurance and office	25,333	37,521
Investor relations and regulatory	17,825	32,642
Travel	22,007	28,577
	415,597	462,357

Research and development expenses consist of the following:

	Three month period ended November 30,	
	2014	**2013**
	$	**$**
Pilot plant, rent and other	17,856	185,757
Compensation and benefits	92,243	106,849
Stock-based compensation (note 5)	3,226	29,454
Government grant recovery (note 4)	-	(34,074)
	113,325	287,986

9 Capital disclosures

The objectives for managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders.

The Company considers its shareholders' equity as its capital, which at November 30, 2014 totalled $1,846,593 (August 31, 2014 – $2,357,260). The Company does not have any bank debt or externally imposed capital requirements. The capital management objectives are to manage its cash and cash equivalents prudently; to minimize the expenditures on general and administrative costs so that more funds are available for commercialization of the developed technology and research and development; and to access available government funding for research and development where possible.

Management reviews its capital management approach on an ongoing basis and believes that its current approach, given the relative size and stage of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period ended November 30, 2014.